FIVE REASONS WHY YOU SHOULD CONSIDER LIFE COVER

Life cover is an important part of financial planning - it might not be first on your list of priorities and as a result is commonly overlooked. Life insurance pays out a lump sum on your death which can be a lifeline for those you leave behind.

There's no such thing as getting cover in place too early. Plus, as a rule, the younger and healthier you are, the less you will pay in premiums.

There are several triggers for when it's a good time to consider getting cover in place – or reviewing existing policies to ensure they're still meeting your needs as circumstances change.

Here are five of those moments:

1. Buying a new home

It is sensible to have life insurance in place by the time you complete on your new mortgage. Should the worst happen, this can be used to pay off the mortgage, and your surviving partner can live there mortgage-free - or the home can be passed on to family or friends.

2. Getting married

When you make a life-long commitment to another person, it makes sense to take out life cover to help financially should one of you die. Joint life cover is available, but it only pays out once, so the cover will end after the death of the first policyholder.

By buying two single policies, if anything happened to both lives, both policies would pay out, providing double the payout for a slightly higher premium.

3. Having a family

Making sure your family has a financial safety net should the worst happen to you is worth revisiting when you have a baby.

Life insurance is one of the key areas to address if you want your child or children to be able to carry on living in the same house or going to the same school in the event of an unexpected premature death.

Many would say it's essential insurance for the family's breadwinner, but life cover is not just for the primary earner. When a mother is not working to stay home and raise children, it's a mistake to think they might not need life cover. That's because it would cost a large amount of money to pay for childcare, which can amount to tens of thousands – a full-time nanny could cost up to £45,000 a year[1].

4. Inheritance tax planning

A common use of life insurance is to buy a policy to cover inheritance tax so your heirs can benefit from every penny of the wealth and assets you wish to leave them.

The standard inheritance tax rate is 40% of anything in your estate over the £325,000 threshold. Less inheritance tax is due if you're leaving property to a family member, as you can pass on £175,000 of the value of a property tax-free.

It's possible to write the policy in trust, which means the value of your policy is generally not considered part of your estate.

A bonus is that a trust can provide faster access to money. Without one, when you die, your would-be beneficiaries would need to obtain probate, which can take many months.

There are several types of trusts to choose from, and your adviser will help you decide which type of trust is right for you and your family.

5. Planning for funeral costs

A basic funeral costs, on average, around £3,953[2]. However, when you add expenses such as the "send-off" (which could include a wake or memorial), and estate administration fees, the actual cost of dying becomes much more expensive at £9,200.

Here, life insurance can be used to pay for these costs so your family doesn't have to worry about financial matters during a difficult and upsetting time.

Getting covered

Life insurance is a pretty straightforward type of cover, but it could pay to use a professional to help find the right policy. There are also more comprehensive planning necessities that an adviser can help with, such as writing the policy in trust. There are complexities here that you'll need expert help with. You can have peace of mind that your adviser will guide you on the trust that is right for you and your family.

[1]https://www.fulhamnannies.co.uk/employing-a-nanny-costs.html

[2] https://www.sunlife.co.uk/funeral-costs/